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United States Senate

COMMITTEE ON THE JUDICIARY

WASHINGTON, DC 20510-6275

September 23, 2008

Henry M. Paulson, Jr.
Secretary of the Treasury
Department of the Treasury
15th and Pennsylvania Avenue, NW
Washington, DC 20220

Ben S. Bernanke
Chairman of the Board of Governors
Federal Reserve System
Constitution Avenue & 20th Street
Washington, DC 20551

Dear Secretary Paulson and Chairman Bernanke:

I write to you because I am in the process of deciding how to vote on legislation to deal with the economic crisis. I agree that there is need for federal action; but I am concerned that we not rush to judgment without giving sufficient attention to the many complex issues which are involved.

At the outset, the, or a, precipitating cause was the fact that hundreds of thousands of people, perhaps as many as five million, faced an inability to make their mortgage payments and eviction from their homes. These mortgages were "securitized," divided up and sold in packages to many people or entities. As a result, it was not always clear who had the authority to adjust these mortgages, and when it was clear, adjustments were not made quickly enough. Last November, Senator Durbin introduced S.2136 and I introduced S.2133 to give the bankruptcy courts authority to revise homeowners' financial obligations. Keeping people in their homes should be a, if not the, fundamental object of congressional action.

After assisting homeowners, a decision should then be made as to what additional federal aid is necessary to unclog the lending pipelines and restore confidence and stabilize the economy. I am very skeptical about granting authority to spend \$700 billion on other aid without standards as to who should get the funds and a requirement that there be demonstrated necessity that such additional expenditures are indispensable to stabilizing the economy.

Then there is the question of oversight and regulation. Obviously, there must be oversight and some regulation to prevent a recurrence. As I see it, the regulation must be calibrated to those objectives and not go too far. Vigorous enforcement of our laws to prevent market manipulation, as well as added transparency, should be a priority.

I hear tremendous resentment from my constituents on this matter. In a free enterprise society, entrepreneurs may undertake whatever risks they choose to secure big profits, but when there are losses, they should not turn to the government for a bailout which puts the burden on the taxpayers. The firms/corporations and their executives who created the crisis should not profit from a federal bailout. If it is not already a part of your proposal, you should consider structuring the funding in a way that gives the Government a preferred creditor position and a

share in ultimate profits, rather than simply buying up debt which has declined in value. And any aid should be conditioned on the elimination of golden parachutes or large compensation packages.

Also, I am concerned about reports that foreign corporations, with a United States affiliate, will participate in a federal bailout. If foreign corporations are to get funding, then foreign governments ought to bear their fair share.

I know there is concern that Congress must act promptly or the economy may deteriorate further. It seems to me that Wall Street should and would understand that legislation on this complex matter requires some time. If it is seen that Congress is moving as swiftly as practicable, that ought to stem the tide. But we can only do it as fast as realistic to work through the legislative proposals and resolve these intricate issues.

These are issues which come to my mind at the moment and I am sure there will be more as the hearings progress and the debate occurs. I would appreciate your responses as promptly as possible.

Sincerely,

A handwritten signature in dark ink, appearing to read 'A. Specter', written over the printed name.

Arlen Specter

Via Facsimile:

Secretary Paulson

Chairman Bernanke